

Message Text

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ACTION EB-11

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INFO AMEMBASSY COLOMBO

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AMEMBASSY PARIS

AMEMBASSY RANGOON

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AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: ENRG IN

SUBJECT: OFFSHORE OIL EXPLORATION CONTRACT BIDS -- PROGRESS

REPORT II

REF: A) NEW DELHI 10736; B) NEW DELHI 8522 (NOTAL);

C) NEW DELHI 11889 (NOTAL); D) NEW DELHI 4879 (NOTAL)

SUMMARY: THE GOVERNMENT OF INDIA'S PETROLEUM MINISTRY/OIL AND
NATURAL GAS COMMISSION FOREIGN-CONTRACTOR SELECTION COMMITTEE

WILL TAKE A NEW LOOK AT ALL PRELIMINARY PROPOSALS OF FOREIGN
COMPANIES SEEKING OFFSHORE OIL EXPLORATION CONTRACTS IN INDIA.

"FIRST ROUND" NEGOTIATIONS ARE TO BE EXTENDED, AND "SECOND ROUND"

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DISCUSSIONS DELAYED. INDICATIONS ARE THAT THIS MODIFICATION TO

EARLIER PLANS MAY BE TACTICALLY DESIGNED TO GAIN TIME AND IMPROVE THE GOVERNMENT'S BARGAINING POSITION. THE GOI'S OWN FIRST EFFORT TO EXPLORE FOR OFFSHORE OIL IN ITS BOMBAY HIGH GEOLOGIC STRUCTURE IS UNDERWAY. FAVORABLE RESULTS WHILE NEGOTIATIONS WITH THE FOREIGN COMPANIES ARE IN PROGRESS WOULD GIVE GOI HARD LINE BARGAINING CAPABILITIES NOT POSSIBLE AT THE PRESENT TIME.
END SUMMARY.

1. ON OCTOBER 10, DR. COPAL RAMASWAMY, CHIEF, EXPLORATION AND DEVELOPMENT, MINISTRY OF PETROLEUM AND CHEMICALS, UPDATED THE MINERALS ATTACHE ON PROGRESS MADE BY THE GOI TOWARD ITS SELECTION OF FOREIGN OIL COMPANIES SEEKING OFFSHORE EXPLORATION CONTRACTS IN INDIA. HE NOTED THAT THE GOI'S PETROLEUM MINISTRY/ONGC FOREIGN-CONTRACTOR SELECTION COMMITTEE HAD RECENTLY RETURNED FROM AN EXTENSIVE STUDY TOUR IN THE UNITED KINGDOM, FRANCE AND NORWAY (REF A). THE GROUP DISCUSSED ON-GOING CONTRACTS EMPLOYED BY THESE COUNTRIES IN THE NORTH SEA, REPORTEDLY TO EVALUATE METHODS BY WHICH COSTS AND PROFITS OF EXPLORATION ARE SHARED BETWEEN GOVERNMENTS AND CONTRACTORS. ACCORDING TO RAMASWAMY, THE COMMITTEE NOW FEELS THAT ITS "FIRST ROUND" OF NEGOTIATIONS WITH INTERESTED FOREIGN OIL EXPLORATION COMPANIES "SHOULD BE EXTENDED." THUS, WHEREAS THE "SECOND ROUND" WAS TO HAVE BEGUN DURING THE LAST WEEK OF SEPTEMBER, A NEW GOI LOOK AT EACH FIRST ROUND PRESENTATION IS TO BE SUBSTITUTED INSTEAD.

2. RAMASWAMY EVADED A DIRECT REPLY WHEN ASKED IF THE GOI'S NEW-LOOK AT ITS OWN GUIDELINES WOULD MAKE BIDDING MORE DESIRABLE TO FOREIGN COMPANIES. HE CONCEDED ONLY THAT NEGOTIATIONS "MAY NOW GO BEYOND THE END-OF-YEAR TARGET" ORIGINALLY SET FOR CONTRACT AWARDS. HE NONETHELESS MAINTAINED THAT "INTEREST AMONG THE FOREIGN COMPANIES REMAINS HIGH," AND THAT AMERICAN FIRMS CONTINUE TO DOMINATE THE NEGOTIATING SCENE.

3. IT HAS BEEN CLEAR FROM THE OUTSET OF NEGOTIATIONS THAT THE ROSTER OF "INTERESTED" COMPANIES WOULD CHANGE FREQUENTLY AS DISCUSSIONS PROGRESSED (REF B). THE ORIGINAL DEADLINE PROPOSED BY THE GOI FOR THE TRANSMITTAL OF BIDS (JUNE 15) (REF B) HAS BEEN LONG SINCE ABANDONED. THE COMMITTEE CONTINUES TO ENTERTAIN PRELIMINARY DISCUSSION WITH ALMOST ANYONE WHO WISHES TO THROW HIS HAT IN THE RING. CONSEQUENTLY, NEW NAMES (AS PRIME BIDDERS) LIMITED OFFICIAL USE

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OR MEMBERS OF A GROUP) HAVE BEEN ADDED WEEKLY --AMID A PARADE OF DROP-OUTS. IT IS NOT POSSIBLE TO FORM AN OUTLOOK.

4. CURRENTLY, KNOWN ACTIVE BIDDERS INCLUDE EIGHT AMERICAN FIRMS, ONE U.S./CANADIAN COMPANY (CLARCAN), AND COMPAGNIE FRANCAISE DES PETROLES OF FRANCE, ENTE NAZIONALE IDROCARBURI OF ITALY, AND THE JAPANESE PETROLEUM EXPLORATION COMPANY (JAPEX). THE EIGHT AMERICAN BIDDERS ARE: CARLSBERG (NOW HEADING UP A GROUP OF

COMPANIES INCLUDING SUN OIL, KOCH, NATOMAS AND THE LOUISIANA LAND AND EXPLORATION COMPNAVY), ANSCHUTZ OIL, OCCIDENTAL, CITIES SERVICE, MESA, KILROY, READING AND BATES INC., AND PHILLIPS PETROLEUM. GONE (AT LEAST TEMPORARILY) ARE SUCH FORMER FRONTRUNNERS AS ARCO FARE EAST EXPLORATION, AMERICAN INDEPENDENT, GLAYCO, CHEVRON OVERSEAS, UNION INTERNATIONAL, OCEANIC, TEXAS PACIFIC, PEXAMIN, SOUTHEAST ASIA OIL AND GAS, AND LEWIS G. WEEKS ASSOCIATES (REF B).

5. COMMENT: INDICATIONS ARE THAT THE GOI'S SLECTION COMMITTEE MAY BE DISAPPOINTED WITH THE PRELIMINARY PROPOSALS OF THE FOREIGN COMPANIES. DISAPPOINTMENTS MAY ALSO EXIST AMONG AT LEAST CERTAIN OF THE BIDDERS, IF THE RATHER LARGE NUMBER OF DROP-OUTS THUS FAR MAY BE USED AS A GUIDE. THE COMMITTEE'S RECENT EUROPEAN TRIP, THEREFORE, MAY HAVE AN IMPACT UPON FUTURE NEGOTIATIONS. ANOTHER ELEMENT ALSO APPEARS TO HAVE ASSUMED NOTABLE PROPORTIONS. THE "NEW-LOOK" THE COMMITTEE PLANS TO GIVE TO ITS OWN GUIDELINES (PARA 1) AND RAMASWAMY'S ADMISSION THAT NEGOTIATIONS MAY BE EXTENDED BEYOND THE END OF 1973, COMBINE TO SUGGEST THAT UPCOMING DELAYS MAY BE TACTICALLY PROGRAMMED. WHILE THIS WOULD BE A REVERSAL OF ORIGINAL PLANS (TO INITIATE FIELD WORK PRIOR TO INDIA'S 1974 MONSOON SEASON), AND COULD PERHAPS BE DECRIED IN SOME INDIAN CIRCLES, AN INTENTIONAL DLAY WOULD NONETHELESS GIVE THE GOVERNMENT TIME TO EVALUATE ITS OWN FIRST EFFORT TO EXPLORE FOR OIL IN THE BOMBAY HIGH (REF C) (ADJACENT TO TWO PRIME CONTRACT AREAS - REF B). RAMAWWAMY SAID THAT, OF THE AREAS TO BE ALLOTTED TO FOREIGN CONTRACTORS, THE GULF OF KUTCH (AREAS I AND II -- AS LISTED ON THE GOI'S MAP TITLED "OFFSHORE AREAS OF INDIA"; ECNCLOSURE TO REF D) APPEARS TO HOLD THE GREATEST "EARLY PROMISE" OF OIL, IN THE MINISTRY'S VIEW. THE GOVERNMENT'S BARGAINING POSITION WOULD NOT BE DOWNGRADED IF OIL IS NOT FOUND IN THE FIRST FEW HOLES DRILLED IN THE BOMBAY HIGH, BUT IT WOULD BE STRENGTHENED SIGNIFICANTLY IF HYDROCARBONS ARE IDENTIFIED WHILE LIMITED OFFICIAL USE

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NEGOTIATIONS WITH THE FOREIGN COMPANIES ARE IN PROGRESS.
END COMMENT.
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